



STATE OF MICHIGAN
FAMILY INDEPENDENCE AGENCY
LANSING

JENNIFER M. GRANHOLM
GOVERNOR



MARIANNE UDOW
DIRECTOR

January 31, 2005

The Honorable Bill Hardiman, Chair
Senate Appropriations Subcommittee on FIA
Michigan State Senate
State Capitol
Lansing, MI 48933

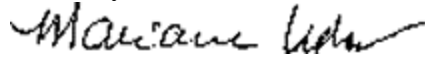
The Honorable Jerry Kooiman, Chair
House Appropriations Subcommittee on FIA
Michigan House of Representatives
State Capitol
Lansing, MI 48933

Dear Senator Hardiman and Representative Kooiman:

Section 666 of Public Act No. 344 requires the Michigan Family Independence Agency (MFIA) to report on implementation of the plan to increase the number of eligible families and individuals who claim the federal Earned Income Tax Credit. The report is attached

If you have any questions, please contact John Sorbet, Chief Administrative Officer, at (517) 373-7904.

Sincerely,


Marianne Udow

Attachment

C: Senate and House Appropriations Subcommittees
Senate and House Fiscal Agencies
Senate and House Policy Offices
State Budget Director

FEDERAL EARNED INCOME TAX CREDIT INITIATIVE 2005

Public Act 344 of 2004, Section 666, requires the Family Independence Agency to continue to implement the plan developed in 2004 to increase the participation of eligible Family Independence Program recipients in the federal earned income tax credit. Governor Granholm designated the Family Independence Agency, working in conjunction with Michigan State University Extension, to take the lead on the Michigan EITC Outreach Initiative in 2004 and again in 2005. This initiative is a collaborative partnership between the Governor's Office, the Internal Revenue Service, Volunteer Accounting Services Team of Michigan, Michigan Association of Certified Public Accountants, Michigan Community Action Agency Association, Michigan State University Extension, and a number of state departments, including the Family Independence Agency, Treasury, Labor and Economic Growth, History, Arts and Libraries, and Information Technology. Federal partners include with the Internal Revenue Service and the United States Department of Health and Human Services. An exceptionally strong partnership with the Stakeholder, Partnerships, Education and Communications Division of the Internal Revenue Service has clearly enhanced the effectiveness of our efforts. Lt. Governor John Cherry is the spokesperson for the effort. The aim of the initiative is to bring money directly to Michigan low-income working families by increasing awareness and collection of the federal earned income tax credit. Michigan Department of Treasury estimates that over \$100 million goes unclaimed by low-income Michigan families and individuals annually. These are unclaimed federal dollars that could be going directly to poor people and to the Michigan economy. Low-income households in Michigan made 616,294 EITC claims for tax year 2003 bringing a total of \$1,011,761,063 federal dollars to these households, their communities, and the State of Michigan. This represents an increase of 23,223 households and \$32,036,944 over the claims made for tax year 2002. An evaluation of the statewide EITC initiative can be accessed at the following Internet address:

<http://www.fcs.msue.msu.edu/eic/report2004.pdf>

The activities begun in 2004 are continuing and expanding in 2005. The Family Independence Agency is continuing its contract with Michigan State University Cooperative Extension Service to assist with planning and implementation of the initiative again this year. The goals of the initiative are to:

- 1) Increase awareness of the EITC:
 - a) Assure eligible families and individuals know of the EITC
 - b) Educate communities about the amount of additional federal dollars an effective EITC campaign could bring to their communities.
- 2) Increase tax assistance capacity:
 - a) Provide access to tax preparation software, volunteer training and TANF dollars provided through the FY05 appropriation to all Community Actions Agencies in the state.
 - b) Stimulate the formation of community EITC Coalitions
 - c) Increase access to free tax assistance for low-income filers through establishment and expansion of Volunteer Income Tax Assistance (VITA) sites and through increasing awareness of "free file" options.

It is important that this free tax preparation assistance include the ability to electronically file tax returns. Many low-income families and individuals use tax preparation services that not only charge a large fee, but also push rapid refund loans that can substantially reduce the amount of the refund actually received by the family or individual.

The plan for 2005 includes the following components:

At the state level, Michigan State University Extension is taking the lead on statewide EITC efforts this year. These efforts include:

1. Continuation of the EITC Statewide Coalition, the statewide umbrella group that supports and builds upon the work of various local coalitions that are already in existence and encourages the establishment of others around

the state. This group has met regularly throughout 2004 and is currently working on a strategic plan that will define the vision, mission, outcomes and specific initiatives to be pursued during the next 5 years. This plan should be completed by February 2005.

2. Continuation of the website for EITC information. This website can still be accessed at <http://www.michigan.gov/eitc>. It serves as tool to disseminate information about EITC to community coalitions and the general public. This website includes information on all VITA sites in the state, an EITC resource kit for community coalitions, research and reports about EITC, and links to many sites with EITC information and resource materials.
3. Development of additional partnerships to enhance the EITC efforts in the state. Additional partners added since the last report include the Federal Reserve Bank of Chicago, the Michigan Works Agency Association, The Michigan Credit Union League, and the Michigan Council of Foundations, the Michigan Poverty Law Center, and others.
4. Facilitating research on EITC that will help evaluate the effectiveness of our EITC efforts and will provide a better understanding of the impact of the EITC on families, communities and the state.

At the local level, the Bureau of Community Action and Economic Opportunity at FIA is providing the leadership this year for EITC activities at the community level.

- 1) Resources are being provided to all Community Action Agencies in the state to assure statewide coverage of the EITC outreach and tax assistance efforts.
- 2) The five 2004 EITC pilot sites– Kent, Van Buren, Berrien, Oakland and Wayne – are all continuing and/or expanding their community coalitions and their efforts in 2005.
- 3) Other communities are beginning new EITC community coalition activities or expanding previous efforts as well. These communities include Washtenaw County, Genesee County, Kalamazoo County, and an 11-county coalition in Northwest Michigan that is working with the IRS on a rural strategy pilot program.
- 4) Many communities are beginning and/or enhancing their efforts to increase financial literacy and promote asset building in conjunction with these EITC efforts.

There are many people already involved in EITC efforts nationally and throughout Michigan. This initiative continues to support and expand those efforts. The IRS is a key partner in this effort and has been involved in the planning from the outset of the initiative. They are instrumental in helping communities set up VITA (Volunteer Income Tax Assistance) sites and in stimulating the development of community coalitions focused on this issue. Community Action Agencies located across the state provide an important resource in direct tax assistance as well as in the building of community coalitions. The CAAs have been important partners in a number of our pilot EITC coalitions last year and can be a catalyst for the building of effective community coalitions where none currently exist.

The tax preparation season is almost upon us, and we are looking forward to another productive year. This exciting work helps move households out of poverty. It also provides resources that open up possibilities - such as home ownership, small business start-ups, and advanced education - to many who would not otherwise have these opportunities.